


**CITY AND COUNTY OF SAN FRANCISCO**  
**BOARD OF SUPERVISORS**  
**BUDGET AND LEGISLATIVE ANALYST**

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**TO:** Government Audit and Oversight Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** May 5, 2016 Government Audit and Oversight Committee Meeting

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<p><b>Item 3</b> <b>File 16-0278</b></p>	<p><b>Departments:</b> Human Services Agency (HSA) Department of Public Health (DPH) City Administrator (ADM) Controller’s Office (CON) Mayor’s Office of Housing, Opportunity, Partnerships and Engagement (HOPE)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <p>The proposed ordinance would require the City to open six new navigation centers within the next twelve months to serve homeless persons. Of the six new navigation centers, one would serve young adults ages 18 to 29, and one would be a managed alcohol center.</p> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The City opened a navigation center at 1950 Mission Street in 2015 and plans to open an additional navigation center at the Civic Center Hotel in June 2016. The six new navigation centers would include the new navigation center at the Civic Center Hotel.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The navigation center at 1950 Mission Street has 75 beds and annual operating costs of \$2,751,182. The new navigation center at Civic Center Hotel has 93 beds and annual operating costs of \$3,152,107.</li> <li>• City departments report new service costs under the proposed ordinance for the six navigation centers, including a medical roving team managed by DPH, program and contract management by HSA, administration and implementation by the City Administrator, and evaluation and reporting by the Controller’s Office.</li> <li>• Estimated one-time costs to open five new navigation centers (not including the Civic Center Hotel for which costs are already budgeted) range from \$5 million to \$15 million depending on the size of the navigation center. Estimated annual operating costs to open five new navigation centers range from \$20,440,232 to \$32,647,357.</li> <li>• According to the Deputy Director of the Mayor’s Office of HOPE, the Mayor’s Office is evaluating future sites to locate new navigation centers, and is currently evaluating funding to be included in the FY 2016-17 budget.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approval of the proposed ordinance is a policy consideration for the Board of Supervisors.</li> </ul>	

## MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution, except that it may act by motion on matters over which the Board of Supervisors has exclusive jurisdiction.

## BACKGROUND

### Navigation Center Model of Homeless Services

A “navigation center” is defined as a temporary, low barrier-to-entry shelter that aids homeless persons to move off of the streets and into permanent housing or transitional or supportive housing that eventually leads to permanent housing, through intensive case management and social service programs.

The City opened a navigation center at 1950 Mission Street as a pilot project in 2015, which has served over 399 homeless persons as of March 23, 2016.<sup>1</sup> Of the 399 persons, 268 or 67.2 percent have had positive housing exits:

- 128 have moved into supportive housing,
- 126 have found exits through Homeward Bound which provides subsidized bus tickets for people to return home,
- 11 have been placed into stabilization units, and
- Three have been placed into residential treatment.

A critical component of the Navigation Center’s success in placing people into permanent housing is the resource intensive model of case management and its access to the City’s limited permanent supportive housing units.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Administrative Code requiring the City to:

- a) Open and operate no fewer than six additional navigation centers within 12 months; three of which would be required to open no later than four months after the effective date of the ordinance;
- b) Offer comprehensive health, mental health, and other services to homeless persons;
- c) Connect homeless persons to either permanent housing, or transitional or supportive housing that eventually leads to permanent housing through case management, social service programs, and the integration or relevant City services;
- d) Specify programmatic requirements for new navigation centers; and

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<sup>1</sup> “Mayor Lee Announces New Navigation Center & 200 Additional Homes to Help Homeless.” March 23, 2016.

- e) Affirm the Planning Department's determination under the California Environmental Quality Act (CEQA).

#### Navigation Center Programmatic Requirements

Each navigation center would be required to include the following components:

- Beds for 50-75 people at a time
- Flexible housing for groups, families and couples
- Showers and bathroom facilities
- Storage for personal property
- In and out privileges
- Access to health services including: mental health, drug and alcohol treatment, harm reduction intervention
- Intensive case management
- Low-threshold access to City services including benefits screening and eligibility and transportation of belongings
- Outdoor space for residents to congregate
- Three meals per day
- Allow pets

The proposed ordinance would require two of the navigation centers to be population specific for: (1) young adults, ages 18-29, and (2) a managed alcohol shelter, allowing residents to consume alcohol and offering alcohol treatment services on-site.

The ordinance would additionally require the City Administrator to explore the operation of a medically-supervised drug injection site that would simultaneously provide residents with detoxification and substance abuse treatment services.

#### Location of New Navigation Centers

The proposed ordinance outlines the following conditions for the location of new navigation centers, which must be in areas accessible to homeless people:

- **1st Priority:** Unused and/or vacant City-owned sites
- **2nd Priority:** Sites owned or controlled by the City and being used for other purposes that could potentially be converted to Navigation Centers
- **3rd Priority:** Privately owned or non-City public agency owned sites that could be leased or acquired by the City

Additionally, both the City Administrator and the member of the Board of Supervisors in whose district the centers are proposed to be located in must solicit community input for location of the new navigation centers.

### Plans to Obtain Permanent Housing for Navigation Center Residents

The proposed ordinance would require each new navigation center to work with the City Administrator, the Mayor's Office of Housing, Opportunities, Partnerships and Engagement (HOPE), and Mayor's Office of Housing and Community Development (MOHCD) to present a plan to the Board of Supervisors on stable housing options for center residents. Stable housing options may include transitional or temporary housing but must be part of a long-term housing plan. The purpose of the plan is to ensure that (a) navigation center residents are able to obtain stable housing and (b) regular and consistent turnover of residents within the center, making space available to new residents.

According to Ms. Emily Cohen, Deputy Director of the Mayor's Office of HOPE, the City would need to identify at least two permanent housing units for every navigation center bed in order to have sufficient stable housing to accommodate navigation center residents who leave the navigation center for other housing. The proposed ordinance requires each new navigation center to have between 50 and 75 beds, which would result in the need for 600 to 900 housing units citywide to have sufficient stable housing units for navigation center residents when they leave the center.<sup>2</sup>

### California Environmental Quality Act (CEQA) Findings

The proposed ordinance would affirm the Planning Department's determination that the new navigation centers would comply with CEQA.

### Implementation of the New Navigation Centers Plan

According to Ms. Susie Smith, Deputy Director of Policy and Planning for the Human Services Agency (HSA), HSA is currently developing a Request for Qualifications (RFQ) to be released by June 30, 2016 to compile a list of prequalified service providers for any future navigation center. Once sites for the proposed navigation centers have been identified and the service models determined, HSA would release a Solicitation of Interest (SOI) to the qualified respondents to the RFQ.

The proposed ordinance would require the Mayor's Office of HOPE, or its successor agency or department, to review and comment on the implementation and funding plan for the new navigation centers within one month of the ordinance's enactment.

On March 23, 2016, the Mayor announced the opening of a new 93-bed navigation center at the Civic Center Hotel, along with 200 units of permanent supportive housing exits. The Civic Center Hotel navigation center is expected to be open in June 2016, which would meet the proposed ordinance's requirement as one of three of the six new centers required to open within the four months of the effective date of the ordinance.

In addition, according to Ms. Cohen, the Mayor's Office of HOPE is evaluating future sites to locate new navigation centers; one potential future site is in the Dogpatch neighborhood of Potrero Hill. The Mayor's Office is currently evaluating funding for a possible navigation center

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<sup>2</sup> 50 beds per center x 6 centers x 2 stable housing units per center bed = 600 stable housing units; 75 beds per center x 6 centers x 2 stable housing units per center bed = 900 stable housing units.

in the Dogpatch neighborhood, to be included in the Mayor's FY 2016-17 and FY 2017-18 budgets.

## FISCAL IMPACT

The estimated costs to create six new navigation centers, including required services, would include one-time capital costs, and ongoing annual operating costs. Ongoing operating costs include navigation center staff; Department of Public Health (DPH) Medical Roving Team; evaluation and reporting on navigation center performance; and costs for navigation center residents to obtain stable housing when they leave the navigation center, all of which are discussed below.

### Current Navigation Center Budgets

Navigation center costs consist of one-time capital costs to set up facilities on the navigation center sites, and annual costs to operate the navigation centers. The 1950 Mission Street budget is \$3,325,394 for 75 beds and the Civic Center Hotel budget is \$4,442,833 for 93 beds, as shown in Table 1 below.

**Table 1: 1950 Mission St & Civic Center Hotel Navigation Centers Budgets**

	1950 Mission St. Navigation Center	Cost per Bed (75 beds)	Civic Center Hotel Navigation Center	Cost per Bed (93 beds)
<b>One-time Capital Costs</b>	\$574,212	\$7,656	\$1,290,726	\$13,879
<b>Ongoing Annual Costs</b>	\$2,751,182 <sup>a</sup>	\$36,682	\$3,152,107 <sup>b</sup>	\$33,894
<b>Total</b>	<b>\$3,325,394</b>	<b>\$44,339</b>	<b>\$4,442,833</b>	<b>\$47,773</b>

Sources: HSA, Public Works

a This includes the original contract amount plus \$276,000 for meals, and \$175,000 for the salary of the Director of the Navigation Center not included in the original contract.

b The Civic Center Hotel was not originally contracted as a navigation center. This amount reflects the contract modification which includes an additional \$700,000 per year for staffing and \$350,000 for meals.

1950 Mission Street, which is located on City-owned property, does not pay rent to the City or utilities.

The 1950 Mission Street Navigation Center also receives the following in-kind services:

- HSA County Adult Assistance Program (CAAP) staff time
- Animal Care & Control services for client's pets
- Department of Public Works (Public Works) garbage hauling
- Controller's Office evaluation and reporting
- Client referrals for health services to Mission Neighborhood Resource Center (MNRC)

### Navigation Center Site Acquisitions – Real Estate Division

According to Mr. John Updike, Director of the Real Estate Division, the costs associated with new site acquisitions for navigation centers can vary depending on the site owner,

neighborhood, condition of asset, zoning, utilities, infrastructure, size, accessibility and terms of occupancy. The acquisitions cost could be as low as zero if City land can be found, although no such site has been deemed suitable by the Real Estate Division to date.

Given these unknowns, the Real Estate Division is not able to provide an estimate for the site acquisition costs as of the writing of this report.

### **City Department Costs to Serve the Six New Navigation Centers**

The Department of Public Health, Human Services Agency, and Controller's Office have identified specific costs to implement six new navigation centers.

#### Medical Roving Team - Department of Public Health

According to Ms. Jenny Louie, DPH Budget Director, DPH would expand their civil service psycho-social Medical Roving Team by 5.1 full-time employees (FTEs) to serve the six new navigation centers. The total cost of this expansion is estimated to be \$1,067,348 in FY 2016-2017, as shown in Table 2 below.

**Table 2: DPH Medical Roving Team Expenses <sup>a</sup>**

<b>New Positions</b>	<b>Salaries</b>
Special Nurse	\$287,948
Health Worker II	97,984
Nurse Practitioner	205,016
Senior Physician Specialist	145,654
Nurse Practitioner	102,508
<b>Total Salaries</b>	<b>839,110</b>
Fringe Benefits (27.2%)	228,238
<b>Total Salaries + Fringe</b>	<b>\$1,067,348</b>

Source: DPH

<sup>a</sup> This estimate is based on six new 50-bed shelters with a total of 300 new beds. Staffing needs and related costs could increase depending on the total number of new beds.

#### Human Services Agency – Program & Contract Management

According to Ms. Susie Smith, HSA would need approximately three FTEs to manage and oversee the service provider contracts for six new navigation centers with a total FY 2016-2017 cost of \$481,974, as shown in Table 3 below.

**Table 3: HSA Staff Costs for New Navigation Centers**

<b>New Positions</b>	<b>Salary &amp; Benefits</b>
0923 Manager	\$184,395
2917 Analyst	152,444
1823 Contract Manager	145,135
<b>Total</b>	<b>\$481,974</b>

Source: HSA

Office of the City Administrator- Administration & Implementation

According to Mr. Ken Bukowski, Deputy City Administrator, the Office of the City Administrator is unable to provide a cost estimate for administration and implementation of navigation centers including issuance of rules, regulations and guidelines, and the exploration of the feasibility of operating one navigation center as a supervised drug injection site at this time given that the City Administrator has not historically performed these functions.

Controller’s Office – Evaluation & Reporting

The Controller’s Office would be required to track and evaluate each navigation center’s outcomes, and summarize them in reports to the Board every six months. Ms. Peg Stevenson, Director of the Controller’s Performance and Technical Assistance Group, estimates that this evaluation work would require at least 1,000 to 2,500 hours of work in the first year, and subsequently reduced to 1,000 hours annually in following years, at a rate of \$135 per hour. The range of costs for evaluation and reporting would be \$135,000 to \$337,500 in the first year, as shown in Table 4 below.

**Table 4: Controller’s Office Navigation Center Evaluation Costs – Year One**

	<b>Number of Hours</b>	<b>Cost per Hour</b>	<b>Total Cost</b>
Low range	1,000	\$135	\$135,000
High range	2,500	\$135	\$337,500

Source: Controller’s Office

**Sources of Stable Housing Available to Homeless Persons Leaving the Navigation Centers**

As noted in the “Details of Proposed Legislation” section, the proposed ordinance would require each new navigation center to work with the City Administrator, the Mayor’s Office of HOPE, and MOHCD to present a plan to the Board of Supervisors on stable housing options for navigation center residents.

According to Ms. Joyce Crum, Director of the Housing & Homeless Division at HSA, possible permanent housing units available to homeless individuals leaving the proposed six new navigation centers include vacant Single Resident Occupancy (SRO) units in HSA’s Master Lease program. Of the 2,593 Master Lease units, approximately 20 units become vacant every month. Some Master Lease buildings are restricted to County Adult Assistance Program (CAAP) recipients, whereas other Master Lease buildings can take both and individuals with CAAP or other income or benefits. Currently, these approximately 20 vacant Master Lease units each month are used to provide housing to homeless individuals in the 1950 Mission Street Navigation Center, SF Homeless Outreach Team (HOT) programs, shelters, as well as homeless clients with CAAP benefits.

In addition, the Mayor’s Office of HOPE announced 200 new housing units that could be used to provide permanent housing to homeless persons, including residents of the navigation centers. According to Ms. Cohen, in addition to the 200 new permanent housing units in the pipeline, other potential sources of permanent housing for navigation center clients include:



1. **HUD Continuum of Care and HUD Veterans Affairs Supportive Housing (VASH) units** – HOPE has identified potential future units to bring online, but is awaiting notification of funding from HUD to pay for the operation of these units.
2. **Homeward Bound** – provides bus tickets for individuals to return to their home.
3. **Rapid Re-Housing Pilot Program**—provides rental assistance vouchers to re-house and stabilize less vulnerable clients who may not need permanent supportive housing.

The City will incur costs to increase the number of stable and permanent housing units available to homeless persons, including navigation center residents. Costs to provide stable housing to navigation center residents are part of the City's total costs to develop affordable housing and end chronic homelessness.

### Estimated Costs for Five of the Six New Navigation Centers

The City is in the process of implementing one new navigation center in the Civic Center Hotel, scheduled to open in June 2016. If the new Civic Center Hotel Navigation Center is included in the required six new navigation centers to be opened within six months of the adoption of the proposed ordinance, then the City would incur new costs for five additional navigation centers, as shown in Table 5 below.

Opening and operating five additional navigation centers is estimated to cost between \$20,440,232 and \$32,647,357, excluding costs that cannot be estimated at this time, as shown in Table 5 below.

**Table 5: Estimated Cost Range for Five New Navigation Centers**

	Low Range	High Range
Site acquisition	\$0	Unknown
One-time capital costs <sup>a</sup>	5,000,000	15,000,000
One-time costs, subtotal	\$5,000,000	\$15,000,000
Ongoing annual operating costs <sup>b</sup>	\$13,755,910	\$15,760,535
HSA - contract & program management	481,974	481,974
DPH Medical Roving Team	1,067,348	1,067,348
Controller's Office - reporting & evaluation	135,000	337,500
City Administrator - admin & implementation	Unknown	Unknown
Ongoing costs, subtotal	\$15,440,232	\$17,647,357
<b>Total Costs</b>	<b>\$20,440,232</b>	<b>\$32,647,357</b>

Sources: Real Estate Division, Public Works, HSA, DPH, Controller's Office, Office of the City Administrator.

<sup>a</sup> According to Public Works, one-time capital costs are estimated to be \$1 million to \$3 million per site. Future capital costs should not be based on the 1950 Mission Street Navigation Center because it had unusually low capital costs.

<sup>b</sup> \$13,755,910 equals five times the annual operating costs for the 1950 Mission Street Navigation Center of \$2,751,182 (see Table 1 above); and \$15,760,535 equals five times the annual operating costs for the Civic Center Hotel of \$3,152,107 (see Table 1 above).

### Additional Costs for Specialized Navigation Centers

The proposed ordinance requires two of the six new navigation centers to be population specific including one for transition-age youth and one managed alcohol shelter. These

navigation centers may incur additional costs not included in the cost estimates above due their specialized nature.

**RECOMMENDATION**

Approval of the proposed ordinance is a policy consideration for the Board of Supervisors.